

CITY OF COBURG

INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD
AUGUST 1, 2014 THROUGH JULY 31, 2015

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City of Coburg

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Cal Myers	Mayor	January 2018
Sandy Gray	Council Member	January 2018
Matt Edwards	Council Member	January 2016
Jeremy Liford	Council Member	January 2016
Tammi Redd	Council Member	January 2018
Jody Schooling	Council Member	January 2016
Teresa Tenner	Clerk	Indefinite

MUXFELDT

ASSOCIATES, CPA, P.C.

Certified Public Accountant

December 8, 2015

Lonnie G. Muxfeldt
Certified Public
Accountant

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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of City Council:

I have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa legislature to provide oversight of certain Iowa cities. Accordingly, I have applied certain tests and procedures to selected accounting records and related information of the City of Coburg for the period August 1, 2014 through July 31, 2015. The City of Coburg's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures I performed are summarized as follows:

1. I reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. I reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. I obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.

DETAILED RECOMMENDATIONS

CITY OF COBURG

DETAILED RECOMMENDATIONS

FOR THE PERIOD AUGUST 1, 2014 THROUGH JULY 31, 2015

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. With a population of approximately 30, only one part-time individual has control over cash, receipts, disbursements, payroll and financial reporting.

Recommendation - I realize segregation of duties is theoretically impossible with one part-time employee. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances by utilizing elected officials. Independent reviews of bank reconciliations and clerk's reports should be evidenced by the signature or initials of the official and the date of the review.

- (B) Deposits and Investments - The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, a resolution naming an official depository has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation - The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. The City Council, by resolution, should approve amounts sufficient to cover the anticipated balance at the approved depository as required by Chapter 12C.2 of the Code of Iowa.

- (C) Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check.

Recommendation - The city should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

- (D) City Council Minutes - City Council minutes were not signed for the period August 1, 2014 through July 31, 2015. Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting (posted in the case of Coburg), and a list of claims, a summary of receipts, total disbursements by fund, a summary of ordinances or amendments adopted and annual individual gross salaries are published (posted) as required. In addition, the minutes should be signed in accordance with Chapter 380.7 of the Code of Iowa.

Recommendation - A list of claims, a summary of receipts, total disbursements by fund and annual individual salaries, if applicable, should accompany the minutes for publishing (posting) purposes.

CITY OF COBURG

DETAILED RECOMMENDATIONS

FOR THE PERIOD AUGUST 1, 2014 THROUGH JULY 31, 2015

- (E) Certified Budget - Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the public safety, public works and culture and recreation functions. Chapter 384.20 of the Code of Iowa states, in part, *Public monies may not be expended or encumbered except under an annual or continuing appropriation.*
- Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.
- (F) Surety Bond Coverage - Chapters 64.13 and 64.15 of the Code of Iowa require all officials and employees be covered by insurance for potential City losses. Current coverage does not indicate whether city officials and employees are bonded.
- Recommendation - City Council should review surety bond coverage for compliance with statutory requirements of Chapters 64.13 and 64.15 of the Code of Iowa to ensure all officials and employees are properly bonded.
- (G) Annual Financial Report - The total fund balance of \$15,770 reported on the fiscal year 2015 Annual Financial Report (AFR) was \$8,905 greater than the Clerk's Report and Bank Statement. The mayor was unaware of any other bank accounts.
- Recommendation - Prior fiscal year fund balances should not be brought forward without proper reconciliation to City records.
- (H) Disbursements - Invoices and documentation for ten out of thirty transactions tested were not available to support disbursements. In addition, disbursements are not listed by Vendor for City Council approval.
- Recommendation - The City should ensure supporting documentation for all disbursements is retained. The claims list should identify Vendors.

CITY OF COBURG

RED OAK, IA 51566

NEWS RELEASE

Muxfeldt Associates, CPA, P.C., 2309 B Chatburn Avenue, Harlan, Iowa today released an agreed-upon procedures report on the City of Coburg, Iowa for the period August 1, 2014 through July 31, 2015. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Muxfeldt Associates, CPA, P.C. recommended the City establish segregation of duties over cash, receipts, disbursements, payroll and financial reporting. Muxfeldt Associates, CPA, P.C. recommended that City Council minutes comply with Chapter 380.7, which requires that the minutes be signed by the person taking the minutes, that the City comply with Chapter 12C.2 concerning naming official depositories, that the City comply with Chapter 12B.10B concerning adopting a written investment policy, that the City comply with Chapter 554D.114 concerning electronic check retention, that City employees' annual gross salaries are published, that the City comply with Chapter 384.18 with regard to budget amendments. Muxfeldt Associates, CPA, P.C. also recommended that the City Council review surety bond coverage for City officials and employees, and that the City review procedures for preparation of the Annual Financial Report (AFR).

A copy of the examination report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.